



**JIM PETRO**  
**AUDITOR OF STATE**  

---

**STATE OF OHIO**



**LIBERTY TOWNSHIP  
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## REPORT OF INDEPENDENT ACCOUNTANTS

Liberty Township  
Highland County  
7339 Pea Ridge Road  
Hillsboro, OH 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1, the Township prepares its financial statements on the basis of accounting prescribed or permitted by the Auditor of State, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined fund cash balances and reserves for encumbrances of the Township as of December 31, 1999 and 1998, and its combined cash receipts and disbursements for the years then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 4, 2000 on our consideration of the Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

This report is intended solely for the information and use of the management, the Board and other officials authorized to receive this report under § 117.26, Ohio Revised Code, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Jim Petro".

**Jim Petro**  
Auditor of State

May 4, 2000

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**LIBERTY TOWNSHIP  
 COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
 CHANGES IN FUND CASH BALANCES  
 ALL GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED DECEMBER 31, 1999**

|   | General         | Special<br>Revenue | Debt<br>Service | Capital<br>Projects | Totals<br>(Memorandum<br>Only) |
|---|-----------------|--------------------|-----------------|---------------------|--------------------------------|
| <b>Cash Receipts:</b>   |                 |                    |                 |                     |                                |
| Local Taxes   | \$33,568        | \$97,520           | \$0             | \$0                 | \$131,088                      |
| Intergovernmental   | 86,873          | 95,094             | 0               | 0                   | 181,967                        |
| Special Assessments   | 0               | 2,132              | 0               | 0                   | 2,132                          |
| Earnings on Investments   | 2,684           | 158                | 0               | 0                   | 2,842                          |
| Other Revenue   | 0               | 5                  | 0               | 0                   | 5                              |
| <b>Total Cash Receipts</b>  | <b>123,125</b>  | <b>194,909</b>     | <b>0</b>        | <b>0</b>            | <b>318,034</b>                 |
| <b>Cash Disbursements:</b>  |                 |                    |                 |                     |                                |
| Current:  |                 |                    |                 |                     |                                |
| General Government  | 62,477          | 0                  | 0               | 0                   | 62,477                         |
| Public Safety   | 0               | 51,940             | 0               | 0                   | 51,940                         |
| Public Works  | 625             | 128,796            | 0               | 0                   | 129,421                        |
| Health  | 24,572          | 0                  | 0               | 0                   | 24,572                         |
| Debt Service:   |                 |                    |                 |                     |                                |
| Redemption of Principal   | 0               | 0                  | 18,750          | 0                   | 18,750                         |
| Interest and Fiscal Charges   | 0               | 0                  | 1,211           | 0                   | 1,211                          |
| Capital Outlay  | 0               | 0                  | 0               | 31,676              | 31,676                         |
| <b>Total Cash Disbursements</b>   | <b>87,674</b>   | <b>180,736</b>     | <b>19,961</b>   | <b>31,676</b>       | <b>320,047</b>                 |
| <b>Total Receipts Over/(Under) Disbursements</b>  | <b>35,451</b>   | <b>14,173</b>      | <b>(19,961)</b> | <b>(31,676)</b>     | <b>(2,013)</b>                 |
| <b>Other Financing Receipts/(Disbursements):</b>  |                 |                    |                 |                     |                                |
| Transfers-In  | 5               | 0                  | 19,966          | 182                 | 20,153                         |
| Transfers-Out   | (20,148)        | 0                  | (5)             | 0                   | (20,153)                       |
| <b>Total Other Financing Receipts/(Disbursements)</b>   | <b>(20,143)</b> | <b>0</b>           | <b>19,961</b>   | <b>182</b>          | <b>0</b>                       |
| <b>Excess of Cash Receipts and Other Financing<br/>Receipts Over/(Under) Cash Disbursements<br/>and Other Financing Disbursements</b> | <b>15,308</b>   | <b>14,173</b>      | <b>0</b>        | <b>(31,494)</b>     | <b>(2,013)</b>                 |
| <b>Fund Cash Balances, January 1</b>  | <b>7,830</b>    | <b>92,831</b>      | <b>0</b>        | <b>31,494</b>       | <b>132,155</b>                 |
| <b>Fund Cash Balances, December 31</b>  | <b>\$23,138</b> | <b>\$107,004</b>   | <b>\$0</b>      | <b>\$0</b>          | <b>\$130,142</b>               |
| <b>Reserve for Encumbrances, December 31</b>  | <b>\$59</b>     | <b>\$4,665</b>     | <b>\$0</b>      | <b>\$0</b>          | <b>\$4,724</b>                 |

*The notes to the financial statements are an integral part of this statement.*

**LIBERTY TOWNSHIP  
COMBINED STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS, AND  
CHANGES IN FUND CASH BALANCES  
ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 1998**

|  | <u>General</u>        | <u>Special<br/>Revenue</u> | <u>Capital<br/>Projects</u> | <u>Totals<br/>(Memorandum<br/>Only)</u> |
|--|-----------------------|----------------------------|-----------------------------|---|
| <b>Cash Receipts:</b>  |                       |                            |                             |   |
| Local Taxes  | \$31,844              | \$92,006                   | \$0                         | \$123,850                               |
| Intergovernmental  | 57,913                | 92,992                     | 737,334                     | 888,239                                 |
| Special Assessments  | 0                     | 2,157                      | 0                           | 2,157                                   |
| Earnings on Investments  | 2,560                 | 198                        | 0                           | 2,758                                   |
|  | <u>92,317</u>         | <u>187,353</u>             | <u>737,334</u>              | <u>1,017,004</u>                        |
| <b>Cash Disbursements:</b>   |                       |                            |                             |   |
| Current:   |                       |                            |                             |   |
| General Government   | 60,404                | 0                          | 0                           | 60,404                                  |
| Public Safety  | 0                     | 47,235                     | 0                           | 47,235                                  |
| Public Works   | 12                    | 134,893                    | 0                           | 134,905                                 |
| Health   | 8,007                 | 0                          | 0                           | 8,007                                   |
| Capital Outlay   | 0                     | 0                          | 777,840                     | 777,840                                 |
|  | <u>68,423</u>         | <u>182,128</u>             | <u>777,840</u>              | <u>1,028,391</u>                        |
| Total Cash Disbursements   | <u>68,423</u>         | <u>182,128</u>             | <u>777,840</u>              | <u>1,028,391</u>                        |
| Total Receipts Over/(Under) Disbursements  | <u>23,894</u>         | <u>5,225</u>               | <u>(40,506)</u>             | <u>(11,387)</u>                         |
| <b>Other Financing Receipts/(Disbursements):</b>   |                       |                            |                             |   |
| Proceeds from Sale of Notes  | 0                     | 0                          | 18,750                      | 18,750                                  |
| Transfers-In   | 0                     | 19,000                     | 37,250                      | 56,250                                  |
| Advances-In  | 10,000                | 16,000                     | 42,000                      | 68,000                                  |
| Transfers-Out  | (50,000)              | (6,250)                    | 0                           | (56,250)                                |
| Advances-Out   | (10,000)              | (32,000)                   | (26,000)                    | (68,000)                                |
|  | <u>(50,000)</u>       | <u>(3,250)</u>             | <u>72,000</u>               | <u>18,750</u>                           |
| Total Other Financing Receipts/(Disbursements)   | <u>(50,000)</u>       | <u>(3,250)</u>             | <u>72,000</u>               | <u>18,750</u>                           |
| Excess of Cash Receipts and Other Financing<br>Receipts Over/(Under) Cash Disbursements<br>and Other Financing Disbursements | (26,106)              | 1,975                      | 31,494                      | 7,363                                   |
| Fund Cash Balances, January 1  | 33,936                | 90,856                     | 0                           | 124,792                                 |
| <b>Fund Cash Balances, December 31</b>   | <u><b>\$7,830</b></u> | <u><b>\$92,831</b></u>     | <u><b>\$31,494</b></u>      | <u><b>\$132,155</b></u>                 |
| Reserve for Encumbrances, December 31  | <u>\$2,724</u>        | <u>\$65,727</u>            | <u>\$14,533</u>             | <u>\$82,984</u>                         |

*The notes to the financial statements are an integral part of this statement.*



**LIBERTY TOWNSHIP  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 1999 AND 1998**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Description of the Entity**

Liberty Township, Highland County, Ohio (the Township), is a body corporate and politic established to exercise the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The Township is directed by a publicly-elected three-member Board of Trustees. The Township provides general governmental services, including road and bridge maintenance and fire protection.

The Township's management believes these financial statements present all activities for which the Township is financially accountable.

**B. Basis of Accounting**

These financial statements follow the basis of accounting prescribed or permitted by the Auditor of State, which is similar to the cash receipts and disbursements basis of accounting. Receipts are recognized when received in cash rather than when earned, and disbursements are recognized when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

These statements include adequate disclosure of material matters, as prescribed or permitted by the Auditor of State.

**C. Cash and Deposits**

The Township Clerk deposits all available funds of the Township. The Township funds are deposited in a public funds interest checking account and certificates of deposit with a local commercial bank. The Township pools its cash to capture the highest rate of return. Interest income is distributed to the Township funds based upon the Ohio Constitution.

**D. Fund Accounting**

The Township uses fund accounting to segregate cash and investments that are restricted as to use. The Township classifies its funds into the following types:

**1. General Fund**

The General Fund is the general operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

**2. Special Revenue Funds**

These funds are used to account for proceeds from specific sources (other than from trusts or for capital projects) that are restricted to expenditure for specific purposes. The Township had the following significant Special Revenue Funds:

*Motor Vehicle License Fund* - This fund receives property tax money for constructing, maintaining and repairing Township roads and bridges.

*Gasoline Tax Fund* - This fund receives gasoline tax money to pay for constructing, maintaining and repairing Township roads.

*Road and Bridge Fund* - This fund receives tax money for constructing, maintaining and repairing Township roads.

**LIBERTY TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Fire Levy Fund* - This fund receives the proceeds from the property tax levy for providing Township residents with fire protection services.

*Permissive Motor Vehicle License Tax Fund* - This fund receives the proceeds from the Township motor vehicle license tax levied for maintaining and repairing Township roads.

*Street Lighting Fund* - This fund receives proceeds from a special levy to provide street lights.

**3. Debt Service Funds**

The Debt Service Fund is used to accumulate resources for the payment of note indebtedness. During 1998 the Township borrowed \$18,750 at 5.5% interest rate for the purchase of a tractor. The note was paid in full during 1999.

**4. Capital Project Fund**

This fund is used to account for receipts that are restricted for the acquisition or construction of major capital projects (except those financed through enterprise or trust funds). The Township had the following significant Capital Project Fund:

*OPWC Fund* - Used to record the related receipts and expenditures of benefits received from Ohio Public Works Commission for state grant for a road project.

**E. Budgetary Process**

The Ohio Revised Code requires that each fund be budgeted annually.

**1. Appropriations**

Budgetary expenditures (that is, disbursements and encumbrances) may not exceed appropriations at the fund, function or object level of control, and appropriations may not exceed estimated resources. The Board of Trustees must annually approve appropriation measures and subsequent amendments. The County Budget Commission must also approve the annual appropriation measure. Unencumbered appropriations lapse at year end.

**2. Estimated Resources**

Estimated resources include estimates of cash to be received (budgeted receipts) plus unencumbered cash as of January 1. The County Budget Commission must also approve estimated resources.

**3. Encumbrances**

The Ohio Revised Code requires the Township to reserve (encumber) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 1999 and 1998 budgetary activity appears in Note 3.

**LIBERTY TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property, Plant and Equipment**

Acquisitions of property, plant and equipment are recorded as disbursements when paid. These items are not reflected as assets on the accompanying financial statements.

**G. Unpaid Vacation and Sick Leave**

Employees are entitled to cash payments for unused vacation and sick leave in certain circumstances, such as upon leaving employment. Unpaid vacation and sick leave are not reflected as liabilities under the basis of accounting used by the Township.

**2. EQUITY IN POOLED CASH**

The Township maintains a cash pool used by all funds. The Ohio Revised Code prescribes allowable deposits and investments. The carrying amount of cash at December 31 was as follows:

|                         | <b>1999</b>             | <b>1998</b>             |
|-------------------------|-------------------------|-------------------------|
| Demand deposits         | \$115,642               | \$ 90,155               |
| Certificate of deposits | <u>\$ 14,500</u>        | <u>\$ 42,000</u>        |
| Total deposits          | <u><u>\$130,142</u></u> | <u><u>\$132,155</u></u> |

**Deposits:** Deposits are either (1) insured by the Federal Depository Insurance Corporation, or collateralized by the financial institution's public entity deposit pool.

**3. BUDGETARY ACTIVITY**

Budgetary activity for the years ending December 31, 1999 and 1998 follows:

| 1999 Budgeted vs. Actual Receipts |                         |                         |                        |
|-----------------------------------|-------------------------|-------------------------|------------------------|
| Fund Type                         | Budgeted<br>Receipts    | Actual<br>Receipts      | Variance               |
| General                           | \$138,299               | \$123,130               | (\$15,169)             |
| Special Revenue                   | 183,070                 | 194,909                 | 11,839                 |
| Debt Service                      | 4,800                   | 19,966                  | 15,166                 |
| Capital Projects                  | <u>182</u>              | <u>182</u>              | <u>0</u>               |
| Total                             | <u><u>\$326,351</u></u> | <u><u>\$338,187</u></u> | <u><u>\$11,836</u></u> |

| 1999 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |                         |
|---|----------------------------|---------------------------|-------------------------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance                |
| General   | \$158,090                  | \$107,881                 | \$ 50,209               |
| Special Revenue                                       | 331,489                    | 185,401                   | 146,088                 |
| Debt Service  | 4,800                      | 19,966                    | (15,166)                |
| Capital Projects                                      | <u>44,027</u>              | <u>31,676</u>             | <u>12,351</u>           |
| Total   | <u><u>\$538,406</u></u>    | <u><u>\$344,924</u></u>   | <u><u>\$193,482</u></u> |

**LIBERTY TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**3. BUDGETARY ACTIVITY (Continued)**

| 1998 Budgeted vs. Actual Receipts |                      |                    |             |
|-----------------------------------|----------------------|--------------------|-------------|
| Fund Type                         | Budgeted<br>Receipts | Actual<br>Receipts | Variance    |
| General                           | \$ 103,109           | \$ 92,317          | (\$ 10,792) |
| Special Revenue                   | 214,010              | 206,353            | (7,657)     |
| Debt Service                      | 4,000                | 0                  | (4,000)     |
| Capital Projects                  | 883,568              | 793,334            | (90,234)    |
| Total                             | \$1,204,687          | \$1,092,004        | (\$112,683) |

| 1998 Budgeted vs. Actual Budgetary Basis Expenditures |                            |                           |           |
|---|----------------------------|---------------------------|-----------|
| Fund Type   | Appropriation<br>Authority | Budgetary<br>Expenditures | Variance  |
| General   | \$ 131,034                 | \$ 121,147                | \$ 9,887  |
| Special Revenue                                       | 261,356                    | 254,105                   | 7,251     |
| Debt Service  | 0                          | 0                         | 0         |
| Capital Projects                                      | 883,568                    | 792,373                   | 91,195    |
| Total   | \$1,275,958                | \$1,167,625               | \$108,333 |

The Township did not obtain prior certification of availability of funds by the fiscal officer for certain commitments made during the year. During 1998, disbursements exceeded appropriations in the Debt Service and Capital Projects Fund. During 1999, disbursements exceeded appropriations in the Debt Service Fund. In 1999, estimated receipts exceeded actual receipts in the General Fund. In 1998, estimated receipts exceeded actual receipts in the General Fund, Special Revenue Fund, Debt Service and Capital Projects Fund.

**4. PROPERTY TAX**

Real property taxes become a lien on January 1 preceding the October 1 date for which rates are adopted by Board of Trustees. The State Board of Tax Equalization adjusts these rates for inflation. Property taxes are also reduced for applicable homestead and rollback deductions. Homestead and rollback amounts are then paid by the State, and are reflected in the accompanying financial statements as Intergovernmental Receipts. Payments are due to the County by December 31. If the property owner elects to make semiannual payment, the first half is due December 31. The second half payment is due the following June 20.

Public utilities are also taxed on personal and real property located within the Township.

Tangible personal property tax is assessed by the property owners, who must file a list of such property to the County by each April 30.

The County is responsible for assessing property, and for billing, collecting, and distributing all property taxes on behalf of the Township.

**LIBERTY TOWNSHIP**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**DECEMBER 31, 1999 AND 1998**  
**(Continued)**

**5. RETIREMENT SYSTEMS**

The Township's officials and the full-time employee belongs to the Public Employees Retirement System (PERS) of Ohio. PERS is a cost-sharing, multiple-employer plan. This plan provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

PERS members contributed 8.5% of their gross salaries. The Township contributed an amount equal to 13.55% of participants' gross salaries. The Township has paid all contributions required through December 31, 1999.

**6. RISK MANAGEMENT**

The Township has obtained commercial insurance for the following risks:

- Comprehensive property and general liability
- Vehicles
- Errors and omissions

The Township also provides health insurance, dental and vision coverage to the officials and one full-time employee through a private carrier.

**7. OTHER MATERIAL NONCOMPLIANCE**

- a. The Township did not comply with guidelines established in Ohio Admin. Code, Sections 117-3-02 and 117-3-03, for the proper coding and classification of Township receipts.
- b. The Board of Trustees did not approve all fund transfers by resolution as required by Ohio Rev. Code, Sections 5705.14-16.
- c. Supplemental appropriations and amendments were posted to the appropriations ledger without resolution of the Board of Trustees as required by Ohio Rev. Code, Sections 5705.38 and 5795.40.
- d. An accurate record was not maintained by the Township Clerk which documented the official actions of the Board of Trustees as required by Ohio Rev. Code, Section 507.04.

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Liberty Township  
Highland County  
7339 Pea Ridge Road  
Hillsboro, OH 45133

To the Board of Trustees:

We have audited the accompanying financial statements of Liberty Township, Highland County, Ohio (the Township), as of and for the years ended December 31, 1999 and 1998, and have issued our report thereon dated May 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying schedule of findings as items 1999-40436-001 through 1999-40436-006. We also noted certain immaterial instances of noncompliance that we have reported to the management of the Township in a separate letter dated May 4, 2000.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings as items 1999-40436-003 and 1999-40436-006 through 1999-40436-010.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the following items 1999-40436-003, 1999-40436-006 and 1999-40436-008 to be material weaknesses. We noted other matters involving the internal controls over financial reporting that do not require inclusion in this report that we have reported to management of the Township in a separate letter dated May 4, 2000.

This report is intended for the information and use of the management and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.



**Jim Petro**  
Auditor of State

May 4, 2000



**LIBERTY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998**

|  |
|--|
| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
|--|

**FINDING NUMBER 1999-40436-001**

Ohio Rev. Code, Section 117.43, authorizes the Auditor of State to prescribe by rule, requirements for accounting and financial reporting for public offices other than state agencies. The Auditor of State has prescribed a uniform accounting system for townships which is set forth in Ohio Administrative Code Chapter 117-3. The Township did not comply in the following instances:

Ohio Admin. Code, Sections Rule 117-3-02 and 117-3-03, establish guidelines for the funds to be established by Townships, as well as, the proper coding and classification of Township receipts. In 1998, the Township advanced \$5,000 from the Permissive Motor Vehicle License Fund to the Ohio Public Works Commission Fund (OPWC Fund). Since the OPWC Fund has a 0 fund balance than the General Fund is obligated to repay the advance to the OPWC. As a result, the General Fund fund balance should be reduced by \$5,000 and the Permissive Motor Vehicle License Fund fund balance should be increased by \$5,000. A fund balance adjustment was made to the Township's financial statements on May 4, 2000.

In 1998, the Township posted \$4,327.67 of Homestead and Rollback receipts to the General Fund. These monies are required to be receipted into the Road and Bridge Fund and the Fire Levy Fund. As a result, fund balance is overstated in the General Fund and understated in the Road and Bridge Fund by \$1,998.68 and the Fire Levy Fund by \$2,328.99. A fund balance adjustment was made to the financial statements for the year ended December 31, 1998 and to the Township's ledgers on May 4, 2000.

**FINDING NUMBER 1999-40436-002**

Ohio Rev. Code, Section 5705.41 (D), requires that no subdivision or taxing unit shall make any contract or give any order involving the expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the obligation has been lawfully appropriated for such purpose and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. This certificate need be signed only by the subdivision's fiscal officer. Every contract made without such a certificate shall be void, and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two exceptions to the above requirements:

1. Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Trustees may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate.
2. If the amount involved is less than \$1,000 dollars, the Clerk may authorize payment through a Then and Now Certificate without affirmation of the Board of Trustees, if such expenditure is otherwise valid.

The Township failed to get the fiscal officer's certification before making commitments. Thirty three percent of the expenditures and obligations tested were initiated without obtaining the prior certification of the Clerk/Treasurer. Every effort should be made by the Township to properly utilize the encumbrance method of accounting by certifying funds on purchase orders. Failure to properly certify funds could result in overspending funds.

**LIBERTY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 1999-40436-003**

Ohio Rev. Code, Sections 5705.14-16, controls all transfers from one fund of a subdivision to another. During 1998, a transfer was made from the Gas Tax Fund to the Capital Equipment Fund to help finance the purchase of a truck. The Township did not follow the proper procedure to transfer this money. In addition, the Board did not approve all transfers from the General Fund by resolution. The Board should review and approve all transfers by resolution and note them in the minutes.

**FINDING NUMBER 1999-40436-004**

Ohio Rev. Code, Section 5705.38, provides that the taxing authority of each subdivision shall pass an appropriation measure, and thereafter during the year may pass such supplemental appropriation measures as it finds necessary. Ohio Rev. Code, Section 5705.40, provides that appropriation measures may be amended or supplemented, provided that such amendment or supplement shall comply with all provisions of law governing the taxing authority in making the original appropriation. During 1999 and 1998, the Clerk posted supplemental appropriations and amendments to the appropriation ledger without resolution of the Board. The Board must approve all appropriation and supplemental appropriations in the minute record. The Board should also periodically review the Township's ledgers to determine if proper procedures are being followed by the Clerk.

**FINDING NUMBER 1999-40436-005**

Ohio Admin. Code, Section 117-03-05, requires the clerk to certify that funds were available for purchase commitments on the purchase order form. Although the form was printed, the Clerk failed to sign the purchase orders tested. The Clerk should sign the purchase order form indicating that she has determined that appropriations are available for the purchase commitment be requested.

**FINDING NUMBER 1999-40436-006**

Ohio Rev. Code, Section 507.04, requires the township clerk to keep an accurate record of the board of township trustees. An accurate record was not maintained by the Clerk of the Board's actions. The Clerk amended appropriations and transferred funds without Board approval. Transfers that were approved by the Board were recorded as advances on the Township's ledgers. Adjustments were made to the financial statements to properly reflect advances and transfers on the financial statements. The Clerk should have proper approval by the Trustees for all financial transactions and these approvals should be noted in the minutes.

In addition, various errors were noted which caused the payroll records to be inaccurate. Hourly pay rates were incorrectly recorded in the minute record; vacation time was incorrectly paid out during 1999 and various underpayment and overpayments were made to the hourly employees. Proper care should be taken when preparing and recording information of the Township.

During 1998, the Township received \$509,342 from the Ohio Public Works Commission for the purpose of reconstructing and repairing Pea Ridge Road. Guidance on the accounting treatment for the transactions is set forth in MAS Bulletin 89-17. The Township did not record the receipts and disbursements on the Township's ledger as required by MAS Bulletin 89-17. The Clerk should review Auditor of State Bulletins to determine the proper accounting methods for grants.

**LIBERTY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 1999-40436-007**

Ohio Rev. Code, Section 149.351, provides that all records are the property of the public office and shall not be removed, destroyed, mutilated, transferred, or otherwise damaged or disposed of, in whole or in part, except as provided by law or under the rules adopted by the records commissions provided for under Sections 149.38 to 149.42, Revised Code. The Clerk did not retain records in accordance with the aforementioned provisions. Various purchase orders and blanket certificates were missing; prenumbered checks were voided and/or destroyed; canceled checks for September 1999 were missing and not presented for audit. Alternative procedures were applied to our testing over disbursements to verify completeness, occurrence, and disclosure of the transactions. The Clerk should maintain all Township records in an organized manner to provide documentation of the Township activity.

**FINDING NUMBER 1999-40436-008**

**Annual Financial Report**

Various errors were noted on the Township's annual financial report. Because of the aggregate number of these errors, the Township's financial position was not accurately presented on the financial statements. Numerous corrections to the report were necessary in order to properly reflect the receipts and disbursements of the Township. Such corrections have been made and are reflected in the accompanying financial statements.

Proper care should be given to the preparation and completion of the annual financial report. Since this report is the presentation of the Township's financial position, it is important that the report fairly and accurately present the Township's true financial position. This report is used by management to make informed decisions in the operations of the Township.

**FINDING NUMBER 1999-40436-009**

**Estimated Receipts**

During 1998, the estimated receipts posted to the accounting records for the General Fund, Gas Tax Fund, Road and Bridge Fund, and the Capital Projects Fund did not agree with the estimated receipts certified by the county budget commission on the latest amended certificate. During 1999, the Clerk did not post any estimated receipts to the Township's accounting records. The estimated receipts certified on the amended certificate are the official estimated receipts for budgetary purposes. Each time an amended certificate is obtained, the estimated receipts in the accounting system should be adjusted to agree with the estimated receipts certified on the amended certificate.

During 1998, estimated receipts exceeded actual receipts in the General Fund by \$10,791, the Motor Vehicle and Gas Tax Fund by \$24, the Gas Tax Fund by \$10,501, the Road and Bridge Fund by \$3,899, Special Assessment Fund by \$143, and the Issue II Fund by \$90,234. During 1999, estimated receipts exceeded actual receipts in the General Fund by \$15,169. Since appropriations are based on these estimated receipts, this increases the possibility that funds will be overappropriated or overspent.

The Clerk should periodically compare estimated receipts with actual receipts. If actual receipts are significantly less than original estimates, the Clerk should monitor expenditures closely to ensure budgetary compliance. This will add a measure of control to the budgetary process by guarding against overappropriating and/or overspending.

**LIBERTY TOWNSHIP  
SCHEDULE OF FINDINGS  
DECEMBER 31, 1999 AND 1998  
(Continued)**

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| <b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS<br/>REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b> |
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**FINDING NUMBER 1999-40436-010**

**Budgetary Information**

The Township's current system of monitoring and review process does not address the need for consistent preparation and monitoring of budgetary financial information. The lack of such controls: 1) reduces the Township's ability to determine its financial status at any given time; 2) may result in the delay of fund received by the County Auditor; and 3) may result in obligations being incurred without the available resources.

We recommend the Township prepare and file all budgetary documents required by the Ohio Revised Code in a timely manner. The budgeted receipts and appropriations from these documents should be accurately recorded in the respective ledgers as prescribed in the Ohio Administrative Code. On a monthly basis, detailed budget and actual financial statements should be presented to Board for review. The Trustees should carefully review this information and make appropriate inquiries to help determine the continued integrity of the financial information.



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OFFICE OF THE AUDITOR

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**LIBERTY TOWNSHIP**

**HIGHLAND COUNTY**

**CLERK'S CERTIFICATION**

**This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 6, 2000**